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No. 97-626

Supreme Court, U.S.
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In The

Supreme Court of the United States

October Term, 1997

BELOIT CORPORATION,

Petitioner,

vs.

VALMET PAPER MACHINERY, INC. and VALMET, INC.,

Repondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Should this Court reverse its recent holding in *Markman v. Westview Instruments Inc.*, __ U.S. __, 116 S. Ct. 1384, 1387 (1996), that the construction of a patent, including the claims and the terms of art used in those claims, is a matter of law reserved entirely for the court and not subject to the Seventh Amendment's guarantee of trial by jury?

2. Is a jury's determination that a patent is not invalid under 35 U.S.C. § 103 entitled to deference from a United States Court of Appeals where an issue of law, the correct construction of a term of art in the claims of the patents in suit, is dispositive of the issue of patent validity and the jury was not instructed as to the construction of that term of art?

3. Should a jury's determination that a patent is not invalid under 35 U.S.C. § 103 be reinstated where the jury was not instructed by the District Court as to the construction of the patents in suit, including the claims and the terms of art used in those claims?

4. Should judgment as a matter of law of patent invalidity be denied and a jury verdict of patent validity under 35 U.S.C. § 103 be reinstated when there is no support for the jury's verdict unless the patents in suit are misconstrued, the teachings of the prior art are incorrectly limited, and the differences between the patented invention and the prior art are erroneously overstated?

PARTIES TO THE PROCEEDING BELOW

The names of all parties in the United States Court of Appeals for the Federal Circuit whose judgement is sought to be reviewed appear in the caption of the Petition for Writ of Certiorari, except that Respondent Valmet Paper Machinery, Inc. has merged into Valmet Corporation.

PARENT COMPANIES AND NONWHOLLY OWNED SUBSIDIARIES OF RESPONDENTS

Valmet Corporation (formerly Valmet Paper Machinery Inc.) has no parent corporations. Subsidiaries of Valmet Corporation that are not wholly owned by Valmet Corporation are: Comroll Oy; Finbow Oy; Jylhäraislo GmbH; Jylhäraislo Oy; Oulun Kumitehdas Oy; Oulun Norrcon Oy; Rotomec Service GmbH; Rotomec Frabelux S.A.R.L.; Rotomec Iberica S.A.; UHAB Industrigummering AB; Valmet-Ameriflex Inc.; Valmet Automation France S.A.; Valmet Dura Inc.; Valmet Fisher-Rosemount Inc.; and Valmet SARL.

Valmet Inc. is a wholly owned subsidiary of Valmet NV Inc. which is a wholly owned subsidiary of Valmet Corporation, and Valmet Inc. has no nonwholly owned subsidiaries.

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STATEMENT OF THE CASE

Beloit's statement of the case omitted a number of critical procedural aspects of this case that have an impact upon the merit of Beloit's Petition.

In the District Court, at the close of Valmet's case on the validity issue, Beloit moved for judgment as a matter of law, which motion was denied by the District Court. After completion of Beloit's case on the validity issue and Valmet's rebuttal case, both Valmet and Beloit moved for judgment as a matter of law. These motions were also denied by the District Court. Prior to submitting the validity issue to the jury, the District Court failed to instruct the jury as to how the Beloit patents in suit, their claims and the terms of art in those claims should be construed, although both Valmet and Beloit had requested such jury instructions. Record on Appeal, App. A2613-15, A7354-65. With no charge to the jury as to the construction of the claims of Beloit's patents, the jury returned a verdict that Valmet had failed to prove that the claims at issue of Beloit's patents were invalid as being obvious under 35 U.S.C. § 103 in view of two prior art patent documents, U.S. Patent No. 3,868,780 to Soininen and European patent application No. WO/ 83-00514 to Hauser, both of which relate to the subject matter of Beloit's patents — dryers in paper making machines. The jury was not asked in the special verdict form and did not state why it found the claims of Beloit's patents were valid in view of this prior art.

In the infringement phase of the trial which began after the jury had rendered its verdict in the validity phase, the District Court again failed to instruct the jury as to the construction of the claims of Beloit's patents. The jury held that the claims at issue had been infringed. Other separately tried phases of the trial were directed to the issues of damages, willful infringement, and inequitable conduct.

After the District Court entered final judgment on the jury verdicts, Valmet timely moved for, *inter alia*, judgment as a matter

of law or for a new trial under Rules 50(b) and 59(a), Fed. R. Civ. P., on the validity issue and on the infringement issue. The District Court denied these motions, App. E at 11, 12, 18 and 19, but entered an Amended Judgment. Record on Appeal, App. A73, Docket Entry 566. The District Court did not fulfill its obligation to construe the claims of Beloit's patents until it did so in ruling on Valmet's post-trial JMOL motion.

On appeal from the Amended Judgment to the Court of Appeals for the Federal Circuit, Valmet argued, *inter alia*, that the District Court had improperly denied Valmet's JMOL motion on the validity issue. In response, Beloit contended that the denial of Valmet's JMOL motion had been correct, that the jury's verdict on the validity issue had been correct, that there was substantial evidence to support the jury's verdict of validity, and that the District Court had correctly construed the claims of Beloit's patents in the decision denying Valmet's JMOL motion on the validity issue. With respect to validity, the only issue raised by the parties relating to construction of Beloit's patent claims was how the claim term "single tier" should be construed.

The Court of Appeals rejected Beloit's arguments and reversed the denial of Valmet's JMOL motion on the validity issue, entering judgment for Valmet on that motion and holding that the claims at issue were invalid under 35 U.S.C. § 103. Construction of the claim term "single tier" determined the outcome of the validity issue. In its motion for reconsideration and for rehearing *en banc*, Beloit raised the same arguments it had previously raised on appeal.

At no time did Beloit move in any court for a new trial or suggest that there should be a new trial, not even in Beloit's Petition for Writ of Certiorari.

REASONS FOR DENYING THE WRIT

The decision below was a plainly correct application of settled law, and reversal of that decision would necessitate reversal of precedent of this Court.

I.

BELOIT WOULD HAVE THIS COURT REVERSE *MARKMAN* AND HOLD THAT PATENT CLAIMS ARE TO BE CONSTRUED BY A JURY AND NOT BY THE COURT.

In this patent infringement case, the District Court never instructed the jury as to how the Beloit patents in suit, their claims, and the terms of art used in those claims should be construed. Instead, the jury was left to construe the Beloit patents and the terms of art in their claims for itself, with none of the required guidance from the District Court in the course of reaching its verdicts on validity and infringement. Nevertheless, Beloit would have this Court hold that the jury's determination of patent validity should be reinstated. For the jury's verdict to be reinstated, as Beloit requests, this Court must hold that it is appropriate for a jury to construe the claims of a patent. To do as Beloit requests, this Court must reverse its recent decision in *Markman v. Westview Instruments Inc.*, __ U.S. __, 116 S. Ct. 1384, 1387 (1996), where this Court held that the construction of a patent, including the claims and the terms of art used in those claims, is a matter of law reserved entirely for the court and not subject to the Seventh Amendment guarantee of trial by jury. Beloit's Petition inexplicably ignores this Court's holding in *Markman* and utterly fails to explain how the position expressed in Beloit's Petition can be reconciled with *Markman*. Beloit has presented no reason why *Markman* should be reversed, and there is none. Beloit's Petition can be denied on this basis alone.

II.

BECAUSE THE CORRECT CONSTRUCTION OF A TERM OF ART IN THE CLAIMS OF THE PATENTS IN SUIT IS DISPOSITIVE ON THE ISSUE OF PATENT VALIDITY, NO DEFERENCE NEED BE GIVEN TO THE JURY'S FINDING ON THE ISSUE OF PATENT VALIDITY.

The only issue with respect to patent claim interpretation, both at trial and on appeal, was how the term "single tier" should be construed as used in each one of the claims of Beloit's patents in suit. How this claim term was construed (an issue of law for the court and not for the jury) was dispositive of the entire validity issue. Ignoring the express definition of "single tier" in the patents in suit, Record on Appeal, App. at A9474, col. 7, lines 3-7, Beloit adopted an artificially narrow construction of the claim term "single tier" that would inescapably result in Beloit's patents being held valid because one of the two prior art references relied upon by Valmet to establish patent invalidity, specifically U.S. Patent No. 3,868,780 to Soininen, would have been excluded by Beloit's narrow claim construction. However, Valmet's construction of the claim term "single tier", based entirely on the express definition of the term in Beloit's patents, encompassed the paper machines disclosed in the Soininen patent and would have inescapably resulted in the claims of Beloit's patents being held invalid. The District Court adopted Beloit's claim construction in denying Valmet's JMOL motion on the validity issue, App. E at 4-8; however, the Court of Appeals held Beloit to the express definition of "single tier" appearing in Beloit's patents and held that the District Court had misconstrued the patents. App. D at 9.

A. The Court Of Appeals' Correction Of The District Court's Error Of Law Properly Disposed Of The Entire Case.

This Court has held that when the resolution of an issue of law is dispositive, the case should not be submitted to the jury to resolve

but should be finally decided by the court, even if the case is then before an appellate court:

> There are, on the one hand, situations where defendant's grounds for setting aside the jury's verdict raise questions of subject matter jurisdiction or dispositive issues of law which, if resolved in defendant's favor, must necessarily terminate the litigation. The court of appeals may hold in an employer's suit against a union, for example, that the case is within the exclusive jurisdiction of the National Labor Relations Board, or in a libel suit, that the defendant was absolutely privileged to publish the disputed statement. In such situations, and others like them, there can be no reason whatsoever to prevent the court of appeals from ordering dismissal of the action or the entry of judgment for the defendant.

Neely v. Martin K. Eby Construction Co., Inc., 386 U.S. 317, 327, *reh'g denied*, 386 U.S. 1027 (1967).

> . . . the standard for a directed verdict under Federal Rule of Civil Procedure 50(a), . . . is that the trial judge must direct a verdict if, under the governing law, there can be but one reasonable conclusion as to the verdict.

Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 250 (1986).

> When the evidence is such that without weighing the credibility of the witnesses there can be but one reasonable conclusion as to the verdict, the court should determine the proceeding by non-suit, directed verdict or otherwise in accordance with the applicable practice without submission to the jury, or by judgment notwithstanding the verdict. By such direction of the trial the result is saved from the mischance of speculation over legally unfounded claims.

Brady v. Southern R. Co., 320 U.S. 476, 479-480 (1943).

The Court of Appeals for the Federal Circuit has also followed this rule in patent cases:

> We owe no deference, however, to a jury verdict reached upon an improper claim construction when, as is the case here, the correct construction of the claims is dispositive of the issue of infringement.
>
> Under the proper claim construction, no reasonable jury could find literal infringement . . .

Strattec Security Corp. v. General Automotive Specialty, __ F.3d __, __, 44 USPQ2d 1030, 1036 (Fed. Cir. 1997).

> BP points out that . . . [the *en banc* Federal Circuit decision in] *Markman* requires the Federal Circuit to decide *de novo* disputed questions of claim interpretation without deference to the trier of fact. BP points out that the disputed question of the meaning of the claim term "stable" is dispositive of the issue of infringement, and therefore that no deference need be given to the jury's finding of infringement. We agree that *Markman* so requires, and that the issue of infringement is decided by the meaning of "stable" as used in the claims.

Hoechst Celanese Corp. v. BP Chemicals Ltd., 78 F.3d 1575, 1578 (Fed. Cir.), *cert. denied*, __ U.S. __, 117 S. Ct. 275 (1996) (correct interpretation of the patent claim term "stable" resulted in a holding of literal infringement).

When the correct rule of law is applied in the present case, that is, when the claims of Beloit's patents are correctly construed, as the Court of Appeals did, there can be but one reasonable conclusion as to the result. The claims of Beloit's patents in suit are invalid under 35 U.S.C. § 103. This is a case that should *never*

have gone to the jury,[1] and the Court of Appeals so held by reversing the District Court's denial of Valmet's JMOL motion on the validity issue.

B. The Court Of Appeals' Construction Of The Claim Term "Single Tier" Was Dispositive Of This Case.

The construction of the term "single tier" in the claims of Beloit's patents in suit[2] determined whether the critical item of prior art, the Soininen patent,[3] could or could not be used to invalidate Beloit's patent claims. Beloit's Petition does not argue to the contrary. Both the Soininen patent and Beloit's patents related to dryers used in paper making machines. Thus, the Soininen patent was indisputably available to use as prior art to invalidate Beloit's patent claims.

The District Court excluded Soininen as a prior art reference by adopting Beloit's artificially narrow claim construction which construed the claim term "single tier" as requiring that the drying cylinders of the claimed paper machine had to be in "a single horizontally disposed plane". App. E at 6. Because the District Court read Soininen as disclosing drying cylinders disposed in a stacked, overlapping arrangement, in a sideways U-shape, App. E at 6-7, the District Court was able to ignore Soininen's teachings in its validity analysis on Valmet's JMOL motion. App. E at 8.

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1. Valmet's cross-motion for summary judgment on this issue, Record on Appeal, App. A60, Docket Entry 128, was also improperly denied by the District Court on the eve of trial. Record on Appeal, App. A68, Docket Entry 392.

2. Beloit's U.S. Patent Nos. 5,144,758 and 5,249,372 appear in Record on Appeal, App. A9459 to A9479B and A9480 to A9497, respectively. Claims 1 to 3 of the '758 patent appear at A9479A, and claims 1 and 2 of the '372 patent appear at A9494.

3. U.S. Patent No. 3,868,780 to Soininen appears in the Record on Appeal, App. A9447 to A9458.

The Court of Appeals, however, adopted Valmet's construction of Beloit's claims and held that the District Court "misconstrued Beloit's patents" in that "nothing in Beloit's . . . patents requires an arrangement of the two pluralities of drying cylinders [to be] disposed in a single plane". App. D at 9. Once this construction of Beloit's claims was adopted, the paper machines disclosed in Soininen met all of the limitations of Beloit's patent claims except one element, that certain of the guide cylinders be vacuum cylinders disposed "in close proximity to" the dryer cylinders. This missing element was supplied by the published Hauser patent application.[4] But Hauser did not merely disclose generally that some cylinders in a paper machine could be vacuum cylinders, Hauser specifically cites the Soininen patent[5] and specifically teaches that the particular guide cylinders in Soininen's machines should be vacuum cylinders disposed in close proximity to the dryer cylinders.[6]

Furthermore, there were no issues of material fact to be resolved by a jury. No evidence had to be adduced at trial to determine whether Soininen and Hauser were pertinent prior art. As the Court of Appeals stated, "no doubt exists that Soininen and Hauser constitute prior art, and both Beloit patents cite the two documents as prior art references." App. D at 7. And, like Beloit's patents, both of these references related to dryers in paper making machinery. No evidence had to be adduced at trial to determine whether one of ordinary skill in the art would have known to combine the teachings of Soininen and Hauser. All that a person of ordinary skill had to do to know how to combine the teachings of Soininen and Hauser was to read Hauser because Hauser indisputably taught that these two prior art references should be combined and how to combine them. As to what Soininen and

4. European patent application No. WO/83-00514 to Hauser appears in the Record on Appeal, App. A9498 to A9516. The translation thereof appears at A9517 to A9539.

5. *See* Hauser translation at A9521.

6. *See* Hauser translation at A9526 to A9528, and A9535.

Hauser each disclosed, the Court of Appeals did not hold that Soininen or Hauser disclosed anything more than what was actually disclosed in the words and drawings of those prior art references — the Court of Appeals merely held that the claims of Beloit's patents read squarely on the devices shown and described in Soininen modified as specifically taught by Hauser. App. D at 9-10. All of this evidence was not, and could not be, contradicted. What was left was the ultimate question of patent validity, a question of law. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1965). As this Court held in *Hepner v. United States*, 213 U.S. 103, 115 (1909):

> The objection made in behalf of the defendant, that an affirmative answer to the question certified could be used so as to destroy the constitutional right of trial by jury, is without merit and need not be discussed. The defendant was, of course, entitled to have a jury summoned in this case, but that right was subject to the condition, fundamental in the conduct of civil actions, that the court may withdraw a case from the jury and direct a verdict, according to the law if the evidence is uncontradicted and raises only a question of law.

See also Tull v. United States, 481 U.S. 412, 419 (1987).

Thus, upon a proper construction of the claim term "single tier", invalidity of Beloit's patent claims was an inevitable conclusion and properly subject to judgment as a matter of law.

A jury instructed as to the proper construction of Beloit's claim could not properly hold that Beloit's patent claims were valid. That is why Beloit has not requested a new jury trial.[7] The only way that Beloit can possibly prevail on the patent validity issue is to ignore the proper construction of its patent claims, and to reinstate the jury's verdict which was reached without any instructions from

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7. Beloit can no longer request a new jury trial because the ten-day window after the Court of Appeals' entry of judgment for seeking a new trial has expired. Rules 59(b) and 50(c)(2), Fed. R. Civ. P.

the District Court as to how the claims should be construed. Thus, Beloit tacitly admits that the Court of Appeals' interpretation of the claim term "single tier" was dispositive on the validity issue.

Since the proper construction of the claim term "single tier" is dispositive of the validity issue, the Court of Appeals was correct in granting JMOL to Valmet. Beloit was not deprived of a jury determination on the validity issue in this case because it was not properly subject to a jury determination. For this additional reason, Beloit's Petition should be denied.

C. There Is No Evidence Supporting The Jury's Verdict.

Beloit asserts in its Petition that there is substantial evidence to support the jury's verdict that Beloit's patent claims are not invalid in view of Soininen and Hauser. However, there is *no* evidence, much less "substantial evidence" to support the jury's verdict. Although the District Court was able to find support in the record for the jury's verdict, the District Court could only find such support after it made a fundamental error of law — misconstruing the term "single tier" as that term is used in the claims of Beloit's patents. The Court of Appeals held that in justifying the jury's verdict of patent validity, the District Court "incorrectly limited the teachings of Soininen, misconstrued Beloit's patents, and erroneously overstated the differences between the two inventions". App. D at 9.

Contrary to Beloit's allegation, *see e.g.*, Petition at 13 and 17 to 18, the Court of Appeals made its determination after consideration of the entire record: there was a full trial, the parties submitted to the Court of Appeals all of the trial evidence that they considered important, and all of the issues were fully briefed by the parties on appeal. It is ridiculous for Beloit to assert that the Court of Appeals ignored evidence submitted by Beloit. The only proper inference to draw is that once the claims of Beloit's patents are properly construed, the evidence of obviousness was so clear and so convincing that the Court of Appeals found it unnecessary

to explicitly address in its opinion the evidence that Beloit asserts was not considered. As the Court of Appeals for the Federal Circuit has held on numerous occasions, ". . . the court was not obligated to list, and reject, factors that might have supported a contrary conclusion." *J.P. Stevens Co. v. Lex Tex Ltd.*, 822 F.2d 1047, 1052 (Fed. Cir. 1987); *see also Medtronic, Inc. v. Daig Corp.*, 789 F.2d 903, 906 (Fed. Cir.), *cert. denied*, 479 U.S. 931 (1986).

Because there is no evidence supporting the jury's verdict of patent validity, the Court of Appeals' judgment for Valmet was correct.

CONCLUSION

For the reasons set forth above, Respondents respectfully request that the Court reject Petitioner's request for a writ of certiorari.

Respectfully submitted,

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